Running your own Payroll

This advice sheet explains about running a payroll for your staff and what you need to do to get this set up.

Reporting in Real Time

Before you set up your own payroll it is important to note you will need internet access, because when you run your own PAYE scheme HMRC requires you to submit the information in Real Time (a system that allows HMRC to be updated about the payments you have made). There is more information about this in the 'Real Time Information' factsheet. In order to be able to report in Real Time you will also need to make sure you use payroll software that can do this.

If you employ 9 or fewer people you can use one of the free payroll software packages that HMRC give details about on their website or HMRC's free Basic PAYE Tool. This is available online at: http://hmrc.gov.uk/payerti/getting-started/payroll-system.htm

Setting up the Payroll

When you set up the payroll you will need to get certain information from your employee. They will need to give you:

• **P45 / 46**

P45: This is a HMRC document that shows a person's last employer, their national insurance number, tax code, and the tax week/month that they left their previous job. It also states the date of leaving, the total amount of pay and tax to date, and the reference number of their previous employer **or** P46: this is a HMRC form if your employee doesn't have a P45.

And

• **Bank details:**

You will need their bank account number and sort code so you can pay them directly into their bank if that is what you and your employee want to do. You can pay them by cheque if you would prefer.

Registering as an employer with HMRC

If you would like to run your own payroll and PAYE scheme you will need to register as an employer and set up a PAYE scheme with Her Majesty Revenue and Customs (HMRC). You can do this at: https://online.hmrc.gov.uk/registration/options

You need to do this as once you become an employer you are responsible for:
- Calculating and deducting PAYE tax and national insurance contributions from your employee's pay each time you pay them
- Making any statutory payments such as sick pay and maternity pay to your employee
- Making student loan deductions for your employee
- Paying HMRC tax and national insurance payments as required and on time. More information can be found at: http://www.hmrc.gov.uk/payinghmrc/
- Keeping accurate and up to date records
- Submit information in Real Time to HMRC when running your payroll

When you may not need to register as an employer with HMRC

If your employee will be earning less than the Tax and National Insurance threshold per week and does not have any other source of income, (e.g. pension, another job) you may choose not to register as an employer and set up a PAYE scheme for them. However we would recommend that you register as an employer anyway and report that there is no national insurance or tax to pay, as if your employee does end up earning more or gets another job this is already set up. More information about this can be found at: http://www.hmrc.gov.uk/payerti/getting-started/register.htm#1

Useful Information Her Majesty Revenue and Customs

You can find further information about employing someone and how to set up a payroll and PAYE by downloading a HMRC factsheet from their website: http://www.hmrc.gov.uk/factsheet/first-time-employer.pdf

If you require further information or would like this factsheet in an alternative format you can contact us by calling: 01508 491210, by emailing: info@equallives.org.uk, or by writing to: Equal Lives, 15 Manor Farm Barns, Fox Road, Framingham Pigot, Norfolk, NR14 7PZ